

8/02/007

COUNTY OF SAN MATEO

INTER-DEPARTMENTAL CORRESPONDENCE

DATE January 15, 1980

TO: East Palo Alto Municipal Council
FROM: Kenneth G. Goode, Administrative Officer
SUBJECT: STAFF ANALYSIS: EAST PALO ALTO FISCAL ANALYSIS

I. INTRODUCTION:

The following report is presented to assist your Council in better understanding some of the assumptions on which the East Palo Alto Fiscal Analysis was based and some of the nuances of the document's findings. Generally, staff finds the document to be accurate and complete. The correction by the consultants of several computational errors which appeared in the first draft of the Fiscal Analysis has substantially reduced the projected revenue shortfall. Staff analysis indicates further reductions in cost and increases in revenues are probable.

The report which follows is divided into three sections:

1. Introduction
2. Budget Analysis
3. Financial Analysis

The Introduction summarizes the consultant's methodology, their fiscal and budgetary assumptions and the findings set forth in the Fiscal Analysis. The Introduction concludes with a review of staff's findings.

The methodology used by the consultants in compiling the Fiscal Analysis is as follows:

1. The consultants made an inventory of existing local governmental service providers, the service level provided and the cost of that service level. This service level and service cost became the Base Case against which to analyze incorporation alternatives.

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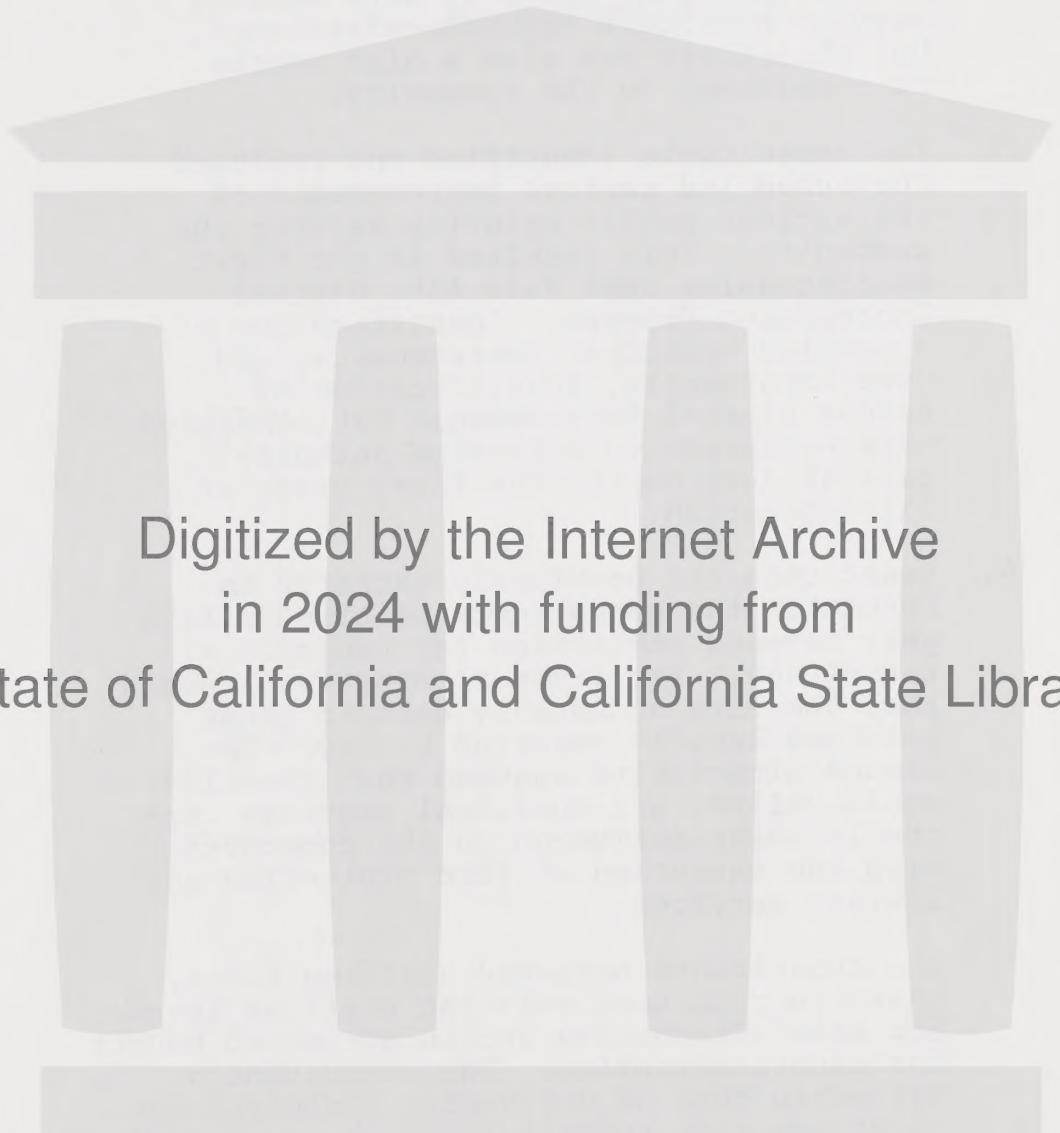
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2. The consultants attempted to define an acceptable level of municipal services. In most cases this service level was based upon the existing service level. For purposes of the Fiscal Analysis it was assumed that not only were current service providers highly professional, but that there was also a high degree of commitment to the community.
3. The consultants identified and reviewed the scheduled capital improvements of the various public agencies serving the community. This resulted in the first comprehensive East Palo Alto Capital Improvement Program. Identification of scheduled municipal improvements, and more importantly, identification of needed capital improvements not scheduled, were necessary to determine potential capital cost during the first years of city operation.
4. Based upon the previously gathered information the consultants prepared a five year revenue projection for two city alternatives. The first alternative assumed that the city would only deliver those services legally required by law. The second alternative assumed that the city would deliver all municipal services currently being delivered to the community with the exception of fire protection and library services.
5. The consultants prepared staffing plans, based in part upon existing staffing levels, for each alternative and an estimated budget for each alternative. The consultant's estimated cost of delivering municipal services was then compared with the projected revenue and the Base Case.

The Fiscal Analysis makes the following fiscal and budgetary assumptions which staff believes should be kept in mind when considering the report.

1. The community shopping center at University and Bay is developed prior to the end of the



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five year period and produces by the end of that five year period over \$50,000 annually in sales tax revenue. An additional \$50,000 in new sales tax revenue is produced by other commercial development.

2. East Palo Alto voters approve new taxes, specifically a Utility Franchise Tax and a Business License Tax. The Utility Franchise Tax will be borne mainly by the community's residents at an average cost of \$38.00 per household in the 1980-81 fiscal year.
3. The County commits to completion of the road improvements contained in the current Capital Improvement Program.
4. The proposed city under each alternative is a "core city," that is, a city whose financing does not include discretionary federal or state grants or subventions which have not been committed or are not reasonably assured.
5. Modest, but desirable increases in levels of service are assumed. No decrease in levels of service are assumed.
6. Proposed staffing for the city is generally based on the existing staffing provided by the governmental agencies now serving the community.
7. All positions were budgeted based upon the assumption that the city would have a salary structure similar to San Mateo County's and that all employees would receive the highest permissible salary.
8. Employee benefits and services and supplies were estimated as percentages of employee salaries.
9. For purposes of the Fiscal Analysis it was assumed that fire protection services and library services would be delivered by the current providers.
10. The consultants assumed a ten percent inflation rate. All figures in the Fiscal Analysis are presented in constant, 1979, dollars.

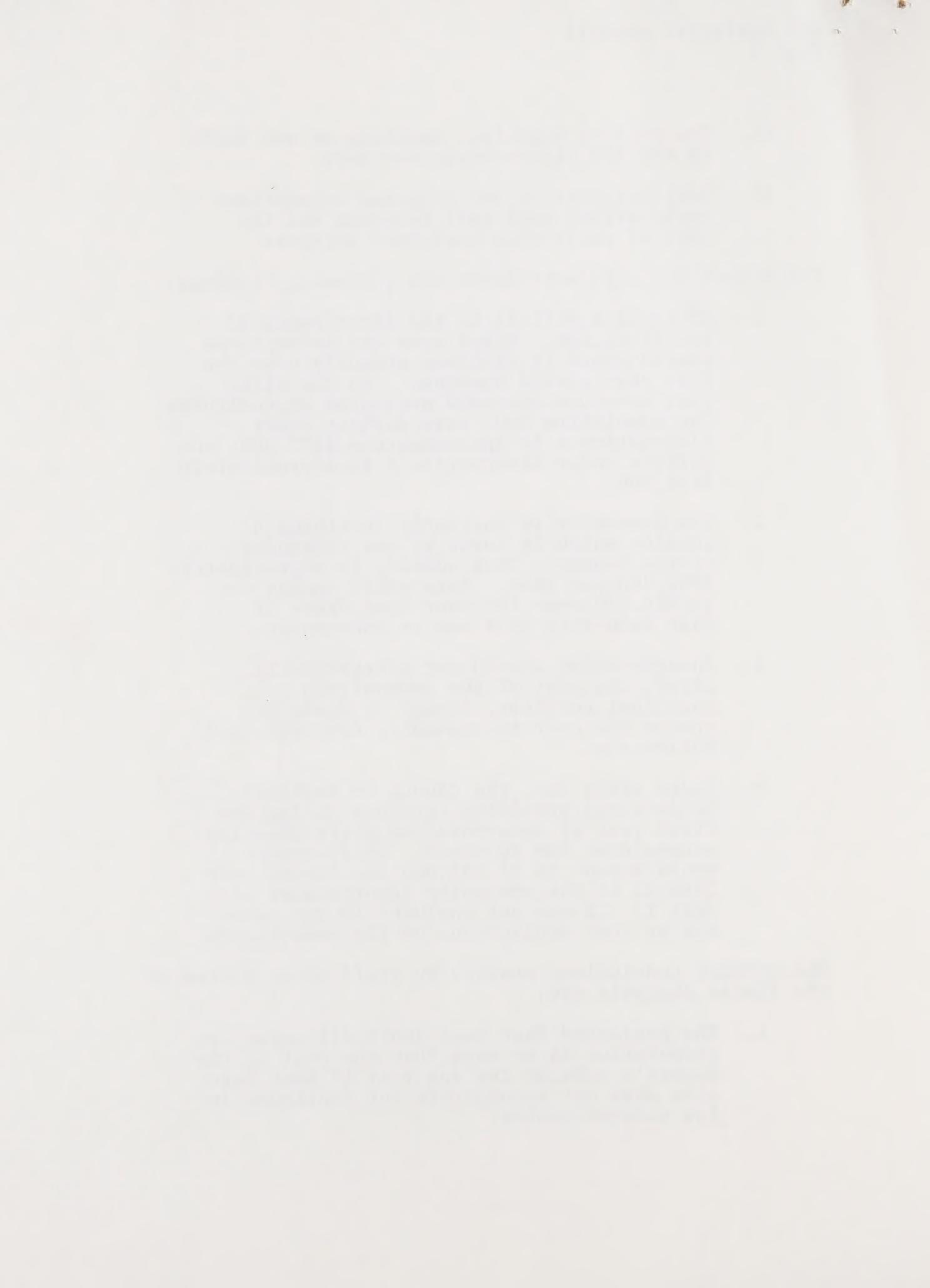
11. The cost of municipal services as set forth in the two alternatives may vary.
12. Modifications to the proposed assumptions would affect municipal revenues and the cost of delivering municipal services.

The Fiscal Analysis sets forth the following findings:

1. There is a deficit in the first years of incorporation. Based upon the assumptions stated above it declines steadily over the five year period examined. In the fifth year revenues exceeded projected expenditures. The cumulative four year deficit under Alternative A is approximately \$692,000, the deficit under Alternative B is approximately \$888,000.
2. The community is currently receiving a subsidy which is borne by the remainder of the County. This subsidy is approximately \$885,700 per year. This would amount to \$4,428,500 over the next five years if East Palo Alto were not to incorporate.
3. Incorporation should not substantially affect the cost of the community's municipal services, though it would increase the cost to community residents and businesses.
4. Under state law, the County is required to continue providing services during the first year of incorporation while the city accumulates tax revenues. This revenue would amount to \$1,263,000 for fiscal year 1980-81 if the community incorporates on July 1. It was not included in any revenue or cost projections by the consultants.

The primary conclusions reached by staff after review of the Fiscal Analysis are:

1. The projected four year shortfall under incorporation is no more than the cost of the County's subsidy for one year if East Palo Alto does not incorporate but continues in its current status.



2. It is cheaper for the County to assist the community in incorporating now rather than face the continued cost of delivering municipal services to the community.
3. The effects of incorporation on the community under the proposed alternatives would be increased local autonomy, increased and improved local political responsiveness, local control of community police, and local land use control.

Additional findings, opinions and conclusions reached by staff are:

1. The key to fully understanding the Fiscal Analysis and staff's conclusions is reading the entire document. The Introduction and Summary are more a statement of the consultant's conclusions than a summary of their findings. By itself, the Introduction and Summary would leave the reader unable to imagine how incorporation could ever be feasible.
2. Prudent utilization of accumulated first year tax revenues would cover city start-up costs, estimated roughly at \$500,000, and all deficits during the first years of city operations.
3. Sales tax gains projected in the Fiscal Analysis are overly optimistic and should be discounted by fifty percent. This would represent a \$120,000 revenue loss for the two year period, 1983/84 - 1984/85.
4. The five year revenue growth projected by the consultants is greater than that allowed by the Gann Initiative (Proposition 4). In order for the new city to accommodate that revenue growth, the new city must begin in the first year with an appropriation limit which is greater than the city's actual proceeds from taxes. This base appropriation limit will be determined by LAFCo based on information provided by the public agencies which will be giving up appropriation authority to the new city.
5. Based upon assumptions about existing programs and funding, methods of organizing local government, and projected per-

sonnel turnover staff concludes that the estimated operating cost for municipal services is overstated by approximately \$200,000 per year.

6. The Council should establish a target date for incorporation of July 1, 1981 with the new city assuming the actual delivery of services on July 1, 1982. With that timetable and assuming cooperation on the part of the County and LAFCo, staff concludes that incorporation is fiscally feasible.
7. The increased cost to the local residents which are above existing taxes would come in the form of a Utility Franchise Tax and benefit assessments for street lighting and drainage maintenance. The Utility Franchise Tax would not have to become effective until the city assumed municipal operations in July of 1982. In that year the average annual Utility Franchise Tax per household would be \$50. Added to that amount would be the benefit assessments which would affect property owners for drainage maintenance and street lighting which would cost \$20. There would additionally be a Business License Tax which would affect local businesses.

While staff is of the opinion that there is a certain amount of "play" in the standards for public services delineated in the consultant's report, staff could not in good conscience recommend incorporation if it appeared that those standards would be substantially changed.

Staff cautions that it will be a long time, if ever, before East Palo Alto can support, from the city's General Fund, programs beyond the basic programs indicated.

II. BUDGET ANALYSIS:

The budget analysis will concentrate on Alternative B as Alternative B contains all information contained within Alternative A. Generally city costs in the Fiscal Analysis were determined in the following manner:

1. A determination was made, based upon data provided by existing service providers as to the staffing needed to provide city services on a level at least equal to if not greater than the current service level. Staffing projections for line service were based upon the staffing levels currently provided to East Palo Alto by the County and or special districts. The staffing level for general government was based upon the staffing levels of similar sized cities.
2. All positions were budgeted based upon the assumptions that employees were paid at the highest step. In classifications which would normally contain both an entry level and journey level position it was assumed the position is filled at the journey level.
3. Employees benefits were estimated at 25% of personnel cost for non-public safety personnel and 30% of personnel cost for public safety personnel.
4. Services and supplies, exclusive of special contract costs, were estimated at 30% of the total personnel cost. Contract costs were added to that 30% figure in order to obtain a total services and supplies cost.
5. For purposes of Fiscal Analysis it was assumed that the City would contract for legal services, engineering services, grounds maintenance, animal control, civil defense, garbage collection, traffic signal maintenance, water purchase and sewage treatment and disposal.

As the consultants indicated in their summary, "different conclusions about the cost of municipal services can be debated endlessly." In order to assist you in getting a

"feel" for the projected expenditure cost we have prepared a series of cost projections against which you may compare the consultant's projections. These cost projections are presented in the form of four "Scenarios" which begin in the Appendix on Page A-3. The first Scenario presents basically the same information as contained within the Fiscal Analysis.

In the next two Scenarios we have taken specific County of San Mateo positions and built a low budget model and a high budget model using the same staffing allocations with different pay scales. For instance, the report's City Manager (\$35,000) is compared in Scenario II with East Palo Alto's Administrative Officer (\$33,528) and in Scenario III with the Deputy County Manager (\$37,089). Some positions do not lend themselves to this type of comparison and so only the closest approximating position is considered. For instance, the Fiscal Analysis' Accountant (\$21,000) is compared in both the second and third Scenario with an Accountant II (\$20,856). An example of our position cost analysis for these two positions is presented below.

POSITION COST ANALYSIS

(Example)

	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>	<u>Scenario IV</u>
Position	City Manager	Administrative Officer	Deputy County Manager	City Manager
Salary	\$35,000	\$33,528	\$37,089	\$35,000
Position	Accountant	Accountant II	Accountant II	Accountant
Salary	\$21,000	\$20,856	\$20,856	\$21,000

The fourth Scenario is based upon a salary structure which staff feels is reflective of the market place. Salaries within the fourth Scenario are based upon a review of employment listings in public sector newsletters serving California. In a majority of cases this research substantiates the data presented in the Fiscal Analysis. Staff has not indicated a difference with the consultant's figures unless the annual position cost is greater than \$500 per person or \$1500 for all positions within a particular classification.

Several general observations are in order. The first is the adequacy of the County's pay schedule which forms the basis for Fiscal Analysis' cost projections. Generally speaking salaries paid by the County of San Mateo are quite competitive with those paid by municipalities. This is probably partially based upon the cost of living within San Mateo but also upon the size of the San Mateo County government. As indicated in The Municipal Year Book published by the International City Management Association, the annual maximum salary per employee is directly related to the size of the unit of government i.e., the larger the unit of government the greater the personnel cost for a given level of service.

Staff would caution against the urge to reduce projected cost though a wholesale manipulation of the suggested salary structure. From a cost-benefit standpoint staff would suggest that the city's intent should rather be focused on the development of personnel policies which rewards the more productive employees and eliminates non-productive employees. A mediocre salary structure will enable the city to hire the services of mediocre employees. (In the final analysis the city's salary structure will be determined by the first City Council. Any projection prior to that time is nothing more than speculation.)

Benefits within the proposed budget are projected at 25% of the personnel cost for non-public safety personnel and 30% of personnel cost for public safety personnel. In comparison, San Mateo County uses a single figure of 25% for all personnel. By using a higher figure the consultant has built in a hedge against two budgetary factors. The first factor is a shift differential normally paid to employees who work the majority of their hours outside the normal 8:00 a.m. - 5:00 p.m. work day. The second is the fact that employee benefits as a percentage of employee cost are rising at a faster rate than employee salaries. Therefore, it is staff's opinion that even though benefits indicated in the consultant's report are budgeted at an overall rate higher than that paid by the County there exist sufficient justification in doing so.

Service and supplies were budgeted at 30% of total employee cost in the consultant report. Generally speaking, services and supplies will vary within each municipal function. As a ball park figure staff estimates that General Government services and supplies runs about 30% of employee cost. Police will probably run about 25%. Community Development services and supplies cost for the functions listed within the Fiscal Analysis will rarely go over 20%, and, like police services and supplies will often run less than our estimate. Community Services (Parks and Recreation) services and supplies are high, 60% of the permanent personnel cost is not uncommon. Public Works, exclusive of capital improvements, will run in the neighborhood of 40% of personnel cost. In a new city "front in" expense might also be a factor to be considered in the first several years operating cost. To arrive at a more definitive services and supplies cost would require compiling an actual budget which would take several months. As an alternative, the use of the straight percentage services and supplies cost across the board seems a reasonable alternative.

One basic adjustment staff would make to the consultants' methodology is in the use of top step salaries for budget projections. Every public agency, including the County of San Mateo, projects potential salary savings in their annual operating budget. Therefore, while we have not figured salary saving into the first three tracks we have figured salary savings into our fourth track estimates. The methodology employed is based on the following assumptions:

1. All positions are filled at all times, i.e., a termination on one day results in a hiring on the second day.
2. The city has a five step salary range with 5.7% between each step. This is the same as San Mateo County's.
3. All new employees are hired at B step at a journey level.
4. Employees advance one step for each twelve months of service.
5. Employee termination is evenly distributed through the organization and takes place at regular intervals rather than in a sporadic matter.

6. Finally, we have assumed an annual turn over rate of 10%. By comparison, San Mateo County's turnover rate is roughly 12%. Menlo Park's is higher.

Based upon these assumptions staff has computed and built a 3.9% salary savings into the projected personnel cost for each department in Scenario IV. That is, the "Total Salary" for each department as set forth in the fourth 3.9% less than the total of all positions listed for that department. This salary savings is carried over into employee benefit computations. Services and supplies, however, are based upon pre-salary savings employee cost. We believe this methodology is a cautious one. Again, it does not project salary savings from position vacancies even though a recruitment process to fill position vacancies takes between 30 to 90 days. Additionally, it is assumed that, although there may be several flexibly staffed positions, new employees are hired at the second step of the journey level.

This 3.9% salary savings is based upon a turnover rate which would not, theoretically, come into play until the second year. However, it is doubtful that all employees would be hired the first year at the top step. Therefore, in the first year of city operations the city could probably expect personnel cost even less than those projected. Staff would suggest however that the city will need experienced qualified personnel and it is doubtful that the city staff, as a whole, would be hired below the third step of this theoretical salary structure. Therefore no effort has been made to provide special consideration for first year city personnel cost, instead the 3.9% has been used for the first year.

One final general comment on the budget analysis is the consultants assumption that city costs will rise at the same rate as the Consumer Price Index, that is, that the rising cost of government services will be equal to the rate of inflation. Such may not be necessarily be the case. Labor cost particularly, have not kept pace with the rate of inflation. If this trend continues, labor intensive organizations, such as local government, may expect to see personnel cost, the majority of municipal budget, decrease in real dollars. California state and local government growth for the five year period prior to Proposition 13 had been about 4% per year. (The consultants assumed a 10% per year inflation rate.) At the same time the new city may see personnel cost decreasing in real dollars, some services and

supplies, particularly those made from oil based products and those requiring large amounts of energy for manufacture or use can be expected to increase. Overall, based upon existing trends, it would not be reasonable to expect the city budget to decrease one or two percent per year in real dollars. Aside from noting this phenomenon no data is generated based upon it.

As previously stated the budget analysis covers only Alternative B. This is for two primary reasons: First, Alternative B contains all services and personnel indicated in Alternative A; second, it is staff's opinion that the municipal functions delineated in Alternative B provide the optimum city structure.

The following narrative should be read in conjunction with the Comparative Cost Report in the Appendices, pages A 4-12.

GENERAL GOVERNMENT

Total salaries for the City Council are \$9,000 a year or \$1,800 each member. A schedule for permissible City Council salaries is contained within the Government Code. The salaries for council members of cities with populations of up to 35,000 is limited to \$150 per month per council member unless the voters approve a higher salary.

It is assumed that the City Attorney would be a contract, part time, position. Generally a city has to have a population of around 50,000 before it is economically feasible to consider a full time attorney. The contract cost is listed at \$30,000. The basic retainer service would undoubtedly be less, say around \$20,000. On top of the basic retainer services the city would pay litigation cost and court time which would generally run an average of an additional \$10,000 a year for a city the size of East Palo Alto.

The City Manager's salary is shown at \$35,000 a year. This appears to be reasonable. A May, 1979 survey published by the International City Management Association cited the mean salary of City Managers in the western United States in cities with populations between 10,000 and 25,000 at \$33,915. In the Fiscal Analysis the City Manager is also indicated as the City Clerk. It is quite common in cities the size of East Palo Alto that the Manager and the Manager's Assistant will share various city functions which are part time efforts such as City Clerk, Finance Officer, Personnel Officer, etc. How the pie is split will depend upon the specific skills of the individual involved and the desires of the City Council. Here it is arbitrarily indicated that the Manager serves as the Clerk and the Manager's Assistant serves as the Finance and Personnel Officer. The

salary of the Manager's Secretary is listed as \$15,000 per year which appears to be the going rate.

In small and medium size cities where the Manager has an Assistant, the Assistant often functions as an unofficial department head in charge of all administrative/management services. The Assistant's salary at \$25,000 per year is competitive with the salaries offered assistant managers in cities of up to 30,000 in population.

The Accountant is a technically skilled individual who would generally serve as the Assistant Finance Officer and Purchasing Agent. The workload is such that the Accountant would normally need the assistance of an Account Clerk for general accounting, payroll and purchasing services. An additional Account Clerk would be needed to service the water service accounts. This second Account Clerk is indicated under the Public Works Department. While financially the position would be charged to the Water Division, functionally, in a city this size the individual would probably work in the Finance Office of city administration.

It is common within mid-peninsula cities that the contract for garbage services is handled as a part of the Finance function and though not indicated staff would suggest that this could well be the case in the City of East Palo Alto.

The consultants indicate the need for two Administrative Assistants. While this provides a higher level of management assistance than would normally be found in a city this size, one being sufficient, it does offer a flexibility which would be to East Palo's advantage. Functionally, staff could see one of the Administrative Assistants dividing time between personnel work and benefits/insurance. The second Administrative Assistant's time would be split between Public Information and Grant Research/Coordination.

Two Staff Clerks round out the General Government service level suggested by the consultants.

Again, while staff feels that the service level is somewhat high, due to the second Administrative Assistant position, that position should be considered a priority which would pay its own way. Staff believes all salaries indicated in the general government section are justified. However, staff believes that the consultants made an error in methodology in

computing 25% for employees benefits for the Council. Staff is unaware of any city the size of East Palo Alto which provides benefits to the city council. Second, if the city did choose to provide benefits to the Council the cost of benefits would exceed the Council Members salaries, rather than be 25% of those salaries. Staff has therefore recomputed the General Government cost to include the city council's salaries after, rather than before, the factoring of employee benefits. With this correction and the 3.9% salary savings staff finds that the cost for General Government, based upon the staffing and assumptions indicated in the report, would be approximately \$11,500 less than suggested in the Fiscal Analysis.

POLICE SERVICES

Police services have a total of 37 personnel, 29 sworn and 8 non-sworn. This provides for the same number of personnel as is currently assigned to East Palo Alto by the Sheriff's Department and the Highway Patrol. The City Police Department is headed by a Director of Public Safety at a suggested salary of \$30,000 per year. The title Director of Public Safety rather than Police Chief is suggested to designate responsibility for coordination with Menlo Park Fire Protection District. Frankly, it is staff's belief that East Palo Alto cannot afford an individual who is unwilling to assume other public safety responsibilities. The suggested salary at \$30,000 is somewhat high for a city this size but reasonable given the size of the suggested department and the expectations of the community. The Public Safety Director is assisted by a Lieutenant who has a suggested salary of \$26,500 a year.

Five Sergeants and 22 Officers round out the sworn personnel. A possible staffing plan would be to have a Sergeant and two Officers working full time on investigations with the remainder in patrol and traffic enforcement. As a simple method of understanding police deployment envision four patrol teams of five Police Officers each headed by a Sergeant working 12 hour shifts four days on, three days off, three days on four days off. A cycle is completed every two weeks (see example). This works out to an average of 2,184 hours per man year as compared with 2,080 hours for a forty hour per week, fifty two week-year. Assuming San Mateo County vacation, holiday, and sick leave structures and a 50% sick leave utilization each individual would miss 20 shifts per year. The original six person team, including the Sergeant, would in actuality have only

five (5) people on duty during the majority of the year. Numerous other staffing possibilities exist. This one is presented because it make comprehension of 24 hours 365 day per year coverage realitively easy.

12 PLAN - TWO WEEK CYCLE

	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Week I	Day Team on Duty	A-Team	A-Team	A-Team	A-Team	B-Team	B-Team
	Night Team on Duty	C-Team	C-Team	C-Team	D-Team	D-Team	D-Team
Week II	Day Team on Duty	A-Team	A-Team	A-Team	B-Team	B-Team	B-Team
	Night Team on Duty	C-Team	C-Team	C-Team	C-Team	D-Team	D-Team

Staff concurs with the salaries suggested for the Police Officers (\$20,000) however staff believes that the salary suggested for the Sergeants is somewhat high and therefore in Scenario IV has recomputed the Sergeant's salaries at \$23,500 per year rather than the \$24,000 suggested in the Fiscal Analysis.

Of the non-uniformed personnel, the Dispatcher-Clerks are subject to the same 24 hour 365 day per year requirements as the Police Officers. The subject of the Dispatcher-Clerks is a particularly aggravating one. It turns out that within the Menlo Park Fire Protection Districts' boundaries, Menlo Park Fire does its own dispatching, Atherton Police does its own dispatching, Menlo Park Police does its own dispatching and East Palo Alto would do its own. All to serve a population of approximately 60,000.

The suggested staffing plan and budget indicates two Community Service Officers at \$15,000 each. Although staff has no disagreement with the salary or need for the Community Service Officers, staff suggests a modification in the financing from that shown in the Consultant's report. The consultant's had been asked to prepare the Fiscal Analysis without making gross assumptions about uncommitted grant funds. Financing of the Community Service Officers provided an exception to this general rule however.

Over the past several years the Sheriff's Sub-Station has had several programs which involve Community Service Officers. None of these programs have been financed by the General Fund, all have been financed by special grants. Such is the case with the current Community Service Officers attached to the Sub-Station. The current Community Service Officers are financed by a \$50,000 per year crime prevention grant. The program is now in its second year and may be renewed for a maximum of five years. It seems reasonable to assume that if the program meets its performance objectives funding will be provided for the remaining three years. At the same time it seems reasonable to assume that if the program does not meet its objectives and AB90 funding is discontinued the city would not pick the program up. For this analysis we have assumed that the program continues to successfully meet its performance objectives, that AB90 funding continues for the entire five year period and that the city picks up the program after the five year period. Therefore, in the five year projection of revenue contained in the Appendix, \$50,000 in AB90 funding is included for the first three (3) years of the revenue projections.

In our fourth Scenario rather than figuring employees benefits for sworn personnel at 30% and employee benefits for non-sworn personnel at 25% we have used 30% for all public safety personnel. This provides a built-in hedge for shifts, differentials and overtime costs. Service and supplies are, as in the report, budgeted at 30%. With the adjustments to the salaries for the Police Sergeant, the 3.9% salary savings and the adjustment to employee benefits our forth Scenario computation is \$33,800 less than that suggested by the consultants.

COMMUNITY DEVELOPMENT

Staff believes that the suggested salary of \$25,000 per year for the Director of Community Development is too low. A review of recent job listings for Community Development

Directors in similar size cities suggest that given the stated organizational structure, a salary in the neighborhood of \$26,000-28,000 per year is more in line with the current market demands. Staff believes that the two staff Planners, one Associate and one Assistant, suggested by the consultants, in addition to the Community Development Director, is a significant increase in planning services over that currently being provided to the community. It is perhaps even higher than a city the size of and as fully developed as East Palo Alto would warrant. Such a high level of planning capability would however enable the city to provide a substantially enhanced level of code enforcement and as such staff can see justification for the position from a service demand standpoint. Staff would however place this enhanced planning capability at a lower priority than the second Administrative Assistant. In seeming contradiction to the previous statement staff believes that freezing one of the planning positions to an Assistant Planner level is a false economy when considering the turnover rate that would be created by such a lack of upward mobility. We have therefore in the fourth Scenario calculated both Planners as if they were Associate Planners.

Staff believes that the Building Inspector's salary, while adequate, may be slightly low. However, we do not believe it so low that a reestimate is necessary. At the same time we believe that the workload is such that rather than designating an individual as a "Building" Inspector, a designation of General Inspector would be more appropriate. Based upon the changes indicated, our fourth Scenario suggests a total Community Development cost of approximately \$6,200 more than that suggested in the report.

PARKS & RECREATIONS

The consultant's designation of Park and Recreation services being delivered by a Department of Community Services rather than the more traditional Parks and Recreation Department represents a feeling on the part of the consultants that in a community such as East Palo Alto the human services provided by the municipality should not be limited to recreation services but rather, within fiscal constraints, should include a more comprehensive approach to Human Services. Staff concurs wholeheartedly with this belief and envisions a Community Service Department which would intergrate the more traditional recreation services with services similar to those currently provided by the Council's Youth Services Program and Community Resource Center. For budgetary purposes however we are concerned with only those positions which would be funded with non-grant sources of funding.

This core staff should have the capacity to provide for the more traditional park and recreation programs and oversee grant funded community service programs.

The consultants have therefore proposed a core staff of four individuals including a Director of Community Services, a Recreation and Leisure Manager, a Culture Development Program Manager, and a Staff Clerk. To provide for recreation programs the consultant had budgeted \$20,000 in extra help money. Park maintenance is provided through contract at a cost of \$40,000.

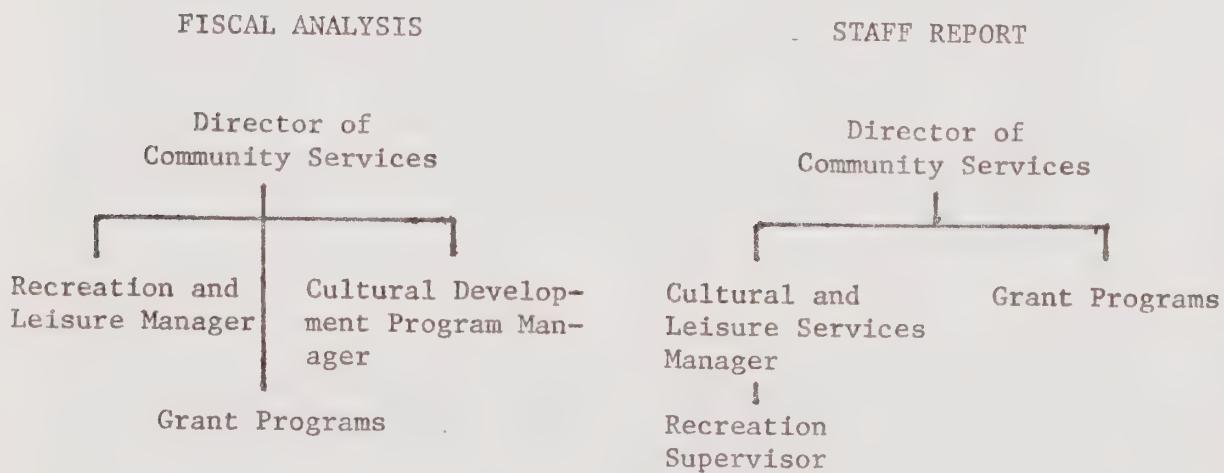
In their discussion of programs offered by the Ravenswood Recreation & Park District the consultants point out that in comparison to other cities the Recreation District's programs are quite limited. In their discussion of District revenues, the consultants provide a clear indication of why these services are limited. In 1978-79 Ravenswood Recreation and Park District raised about \$4,300 per year in revenue from fees and rentals. This provided about 2.5% of the Districts revenues. It is not uncommon in other cities to find that as much as 20% of the operating budget for recreation services comes from fees or "pay as you go" programs. A good fee program would greatly enhance the recreational opportunities available to the community.

The consultants have, we believe, made an error in methodology in that they have budgeted for employee benefits for the part-time, seasonal, extra-help employees. In no city of which staff is aware are employee benefits provided to part-time seasonal recreation instructors. We have therefore in our computations recomputed the consultant's figures in Scenario I to indicate the extra-help money being added in after employee benefits for permanent employees are figured. At the same time, in recognition of the higher service and supply cost for recreation programs, we have budgeted the service and supplies at 40% of employee cost rather than the 30% used throughout the remainder of the report. (40% plus the \$20,000 extra help money equals the 60% mentioned on page 10 of this report.)

Staff disagrees with the consultants in their suggested salary for two positions, the Director of Community Services and the Recreation Manager. Although, the suggested salary for the Director of Community Services at \$22,000 is approximately \$1,000 per year more than currently earned by the Youth Services Programs' Coordinator we feel that it is low when compared with similar positions advertised within the last year. Staff believes that a salary in the range of \$24,000 per year is probably more accurate. At the same time

staff feels that the Recreation Manager's salary at \$18,500 is extremely generous to say the least. Apparently the consultants envisioned the Cultural Development Manager and Recreation Manager as being co-equals under the direction of the department head. Staff is of the opinion that this is just too elaborate a bureaucracy for a city of this size. The Recreation Manager would in reality be a Recreation Supervisor, coordinating the activities of the part-time extra-help people and reporting to the Cultural and Leisure Service Manager. We have therefore computed the Recreation Manager's salary at \$16,00 per year. (See chart below). Based upon the indicated adjustments our fourth Scenario suggests a total cost for this service of approximately \$8,700 less than the consultant's figure.

DEPARTMENT OF COMMUNITY SERVICES
Proposed Organization Chart



The proposed permanent full-time Community Services staffing level is higher than that normally delivered to cities this size, but is consistent with the non-city funded program responsibilities expected of the Department.

We have so far in our discussion of Community Services left out park maintenance. This is deliberate as Park maintenance is a functionally different animal from the Recreation and Human Services discussed.

The consultants have budgeted \$40,000 for contract gardening. Currently Ravenswood Recreation & Park District budgets approximately \$30,000 for Park maintenance. Staff believes that the \$40,000 figure cited in the Fiscal Analysis is justified for several reasons. First, the current level of Park maintenance is less than satisfactory. Second, with incorporation and the absorption of the Recreation District and Sanitary District by the city there will be the additional 2½ acres of Martin Luther King Field to maintain.

National averages indicate that as a rule of thumb it takes one full-time Park maintenance person to maintain five acres of park land. This would suggest that if the city were to choose to provide park maintenance internally two gardeners would be needed. As an exercise we have therefore in our third Scenario established a sub-total for two gardeners using the County of San Mateo's current salary structure. The Fiscal Analysis, indicates a cost of approximately \$54,000, or \$14,000 more than the contract cost. This small cost suggests that, unlike legal services, the city at an early date may very well consider having park maintenance provided by city staff if the city feels it can get a higher level of service from in-house employees. Staff sees the responsibility for Park maintenance, whether provided through contract as suggested or in-house as being within the Public Works Department's domain rather than Community Services. We have however indicated Park maintenance as a function of Community Services to provide consistency with the existing situation.

PUBLIC WORKS

The Public Works Department is delineated in the consultant's report as primarily responsible for delivering various city field services to the community. Primarily the field services would include street maintenance, water services, sanitary services and drainage maintenance. Additionally, the department is responsible for the contract administration of garbage collection, street lighting, engineering services, and traffic signal maintenance. As previously indicated it would be staff's suggestion that contract administration for garbage collection would better be administered by city administration. At the same time, staff believes park

Maintenance would more properly be a function of Public Works than of Community Services.

Up to this point, staff has generally concurred with the consultant's approach to estimating municipal cost. This approach is generally a bottom up approach in which the consultant has estimated the personnel necessary to deliver particular line services and then built the various departments up from that point. The Public Works budget, however, has what staff feels are serious shortcomings. Staff disagrees with the consultants methodology on a number of points. This disagreement should not, however, be interpreted as dissatisfaction with the consultant's work. On the contrary, the shortcomings within the Public Works analysis are to be expected given the amount of time left when the consultant reached that point in the project. The consultants have, for the most part, correctly estimated the personnel needed to carry out the Public Works functions, they have taken into consideration the special funding nature of the proposed functions and they have considered city overhead expenses in support of the Public Works functions.

The principle point of disagreement is in the assignment of personnel to the various Public Works divisions. While the consultants have a fair handle on most of the personnel needs, the assignment of personnel to the various divisions was, in staff's opinion, illogical. Because of the special funding nature of most Public Works functions this has resulted in certain services subsidizing other services.

Staff has therefore in its computations redefined the personnel assignments within the Public Works department to show a different organizational structure. We have started by reverting to the bottom up approach of defining exactly what the personnel requirements are to deliver any particular service. Sanitary services, for instance, require a two person team. Water services require three Maintenance Workers, a Supervisor and an Account Clerk. Street patching, requires a driver and two maintenance workers. Additionally, there would be a need for a General Manager, a Foreman or Maintenance Supervisor, a Vacation relief worker and a staff clerk. The cost of the support positions would be prorated to the Service Divisions.

By placing five people within the Streets Division they have inadvertently made the Streets Division bear the entire cost of general line supervision and vacation relief for the remainder of the Department. Additionally, by placing the Account Clerk in Public Works Administration they have

charged the Sanitary and Street Division a cost which is solely the responsibility of the Water Division.

In arriving at our scenario IV Maintenance Worker cost we have constructed a multi level Maintenance Worker salary schedule rather than using specific classifications such as Street Maintenance Worker, Water Maintenance Worker and Sanitation Maintenance Worker. The Journey level in the Water and Sanitary Divisions would be a Maintenance Worker II at \$17,000 per annum. Each division would have a Maintenance Worker III as a Lead Worker. The Journeyman level in the Streets Division would be a Maintenance Worker III at \$19,000 per annum. The Lead Worker for that Division would be a Maintenance Worker IV. The position authorization for the Maintenance Worker classifications is shown in the chart below. A general Maintenance Worker salary structure is normally employed in small and medium sized cities.

POSITION AUTHORIZATION
FOR MAINTENANCE WORKERS IN
STREETS, WATER AND SANITARY DIVISIONS

Position	Salary	Streets Division	Water Division	Sanitary Division
Maintenance Worker I	\$15,000		3 a	1 a
Maintenance Worker II	17,000	2 a	3 a	1 a
Maintenance Worker III	19,000	2 a	1	1
Maintenance	21,000	1		
TOTAL AUTHORIZED		3	4	2

a: Flexably staffed. Not to exceed a combined total of Division Authorization.

Staff believes that the salaries suggested by the consultant for the Director of Public Works, who in actuality is a General Manager, is too high. We have compared that salary with the salary of a County Road Maintenance Supervisor II and Associate Civil Engineer and additionally have made a review of the market place and believe that a salary of \$28,000 a year is more in line than the proposed \$30,000. If the General Manager were in reality a Public Works Director and a Register Civil Engineer, \$30,000 a year would be more in line. As previously stated however under the proposed model the city would contract for Engineering Services.

We find no justification for the Administrative Assistant position. The Administrative Assistant position was included by the consultant to handle contract administration for Public Works. Even prior to the modifications of the contracts administered, a full-time position was not justified. We have, therefore, deleted this position in all but the First Scenario.

As previously stated, in our computations we have moved the Account Clerk to the Water Division and moved the Street Maintenance Supervisor and one Street Maintenance Worker to Administration or staff support. We concur with the salary for the Street Maintenance Supervisor, whom we could classify as an overall Maintenance Supervisor, but disagree with the idea that all Street Maintenance Workers should be budgeted at the advance salary indicated. Within the San Mateo County organizational structure the salary ordinance allows only about 50% of the total Road Maintenance Workers to receive this advance step. We have therefore in our Fourth Scenario budgeted the relief worker (Street Maintenance Worker) as a Maintenance Worker II at \$17,000 per year.

Using the above and previously stated criteria we have in our Fourth Scenario suggested a Maintenance Worker IV and two Maintenance Worker III's for the Street Division. In the Water Division, we have shown a Maintenance Worker II to serve as a lead person and three Maintenance Worker II's in addition to the Account Clerk. In the Sanitary Division, our Fourth Scenario shows one Maintenance Worker III and one Maintenance Worker II.

We believe the work performed by Sanitary Maintenance Workers is more closely akin to that performed by Water Service Workers than that performed by Road Workers. Therefore, we have based the Sanitary Workers classifications on those used for the Water Service Workers. Additionally, it should be pointed out that these salaries are considerably higher than currently paid to the Maintenance Workers employed by the East Palo Alto

Sanitary District.

The "Corporation Yard" appears to be a weak point in the report. We find no justification, for instance, for the Corporation Yard Supervisor. Supervisor of what? We believe that the suggested salary of "Equipment Mechanic" is low and that need would justify a general Automative - Mechanic rather than Equipment Mechanic. A survey of the going rate for a Journey Mechanic indicates that a Mechanic would make in the neighborhood of \$19,000 a year rather than the \$16,500 salary suggested. Also, it is erroneous, in our estimation, to charge the cost of the Mechanic solely to the Public Works Divisions and to assume that Vehicle Maintenance would be a net increase in city cost. Rather, staff assumes that the city, as most cities, would include the cost of Vehicle Maintenance along with the cost of vehicle replacement in the "rental" cost charged to the various vehicle users. The overall 30% services and supplies computation adequately justifies this assumption. Under this assumption there would be no additional net city cost for Vehicle Maintenance and the distribution of the charges would also not be a 100% cost to Public Works. In fact, based upon San Mateo County data we would estimate that as much as 30% of the Vehicle Maintenance cost would be charged to the Police Department. The Police Department would have over 50% of the total city rolling stock and would use that rolling stock much more extensively than the other departments. Finally, it is questionable whether one Mechanic could handle all the cities vehicles. Staff assumes that overload work would be contracted out.

In our Scenario I computations we have assumed that the Corporation Yard Supervisor is a net city cost and that the cost for Vehicle Maintenance is offset by service charges to services and supplies accounts. In the remaining scenario we have deleted the Corporation Yard Supervisor position and offset the Vehicle Maintenance cost.

Using the criteria and assumptions discribed, plus other factors discussed later, we have computed a Public Works operating cost of \$141,800 less than that contained within the Fiscal Analysis.

In both city alternatives it is suggested that engineering be provided by contract rather than having an in-house Engineer. Staff concurs with this view but points out that it is a judgement question. There seems to be little justification for an in-house Engineer in a community as fully developed as East Palo Alto. Additionally, Engineering costs quickly have a way of getting out of hand. Cities usually find that if they hire an in-house City Engineer they also end up hiring an Engineering Aide to do a lot of the leg work

which the Engineer considers menial. By the same token if Engineering is placed within the traditional Public Works format you will often find that the Public Works Director is an Engineer with many years of Engineering experience, and therefore commands the salary of an Engineer. Functionally however, the Public Works Director is a General Manager who does very little actual Engineering. The Engineering is actually handled by a second Engineer and Engineering Aide. (There are exceptions however it seems to work this way more often than not.)

While Engineering has been budgeted within Public Works, staff would functionally see Engineering as a part of Community Development. This functional arrangement is becoming more common in medium sized progressive cities as it centralizes design responsibilities in one department, Community Development, and allows the Public Works Department to devote full-time to the provision of public services such as roads, water and sanitation.

Not included within the Public Works' services and functions is Street Sweeping services. Street Sweeping is now provided on sixty percent of the community's thirty-eight miles of streets. As Street Sweeping is not available to the whole community staff would assume that if the city elected to have Street Sweeping it would be financed through a benefit assessment or service charges which would offset the cost of the service. As such there would be no net increase in city costs. If the city did choose to have the streets which presently receive street sweeping services swept on a weekly basis staff estimates, based upon conversations with Public Works, that the service as an incremental cost would cost approximately \$40,000 per year or six to seven dollars per household. Departmental and city overhead charges would add to this cost.

III. FINANCIAL ANALYSIS:

The financial analysis of funds the city could expect to receive in its first five years of operation is the real meat of the consultant's study. From staff's limited knowledge of this area the work appears to be quite solid. Staff's comments are largely limited to pointing out certain considerations and assumptions employed by the consultants. We have attempted not to duplicate discussions which have taken place in other parts of this report.

After making minor adjustments of the consultant's revenue projections we have compiled two sets of data. (Any and all adjustments are thoroughly discussed in staff's report. Unless otherwise indicated the base data used for staff's analysis comes from the consultant's Fiscal Analysis.) This data is intended to place the fiscal information in the Fund Accounting structure employed by local government. The number and type of funds a city establishes is to a large degree left up to the city although some are required by law. We have therefore had to make some assumptions about a simplified fund structure.

The purpose of the first set of data is to show the strength or weaknesses of each fund in any given year and consist of two charts, one depicting Revenue Sources by Fund (p. A 13-18) and the other, a Cash Flow Summary for each of the first five years (p. A 19-24). The primary conclusion which may be reached is that there is a deficit in the General Fund in the first two years after which time there is an ending surplus. At the same time, however, the Gas Tax Fund is only solvent in the first year. After 1983-84, there is surplus enough in the General Fund to cover the deficit in the Gas Tax Fund. All other funds are essentially healthy throughout the five year period in question.

The second set of data shows the city's expected financial picture from July 1982 - July 1985 based upon the assumption that the city incorporates July 1981 and assumes Municipal Services July 1982 (p. A 25-28). This series of charts is the most important data in staff's report. The principal conclusion which may be reached from this data is that incorporation is fiscally feasible. General Fund revenues continue to grow slowly but steadily while General Fund expenditures remain constant. Only in the Gas Tax Fund do expenditures exceed fund revenues. As is pointed out by the consultants this is a situation which will affect every California city as inflation eats away at this fixed revenue source.

For purposes of our Revenue Source and Cash Flow Summaries, revenues from Fines

and Penalties are included as "General Fund" monies and the benefit assessment for drainage maintenance is included in the 'Gas Tax Fund.' By law Fines and Penalties must be used for traffic safety purposes which could include numerous Public Works and Police functions.

FEDERAL AND STATE ASSISTANCE

In calculating State shared revenues the consultants point out that these revenues are dependent upon a population figure which is estimated as three times the number of registered voters or as determined by a special census. This special census apparently cannot be conducted until after incorporation. The census should be considered an absolute necessity once incorporation occurs.

With the exception of General Revenue Sharing and H.C.D.A. the consultants have included no federal funding in their revenue projections, staff concurs with this approach of not trying to guesstimate special federal grants which the new city may be eligible for even though we know that such funding exists and the new city would have a pretty decent chance of qualifying for such funding. This funding is not included because it generally comes in the form of special project grants rather than in the form of grants to subsidize ongoing day to day operations. (These grants do however, almost without exception, allow a portion of the city's administrative cost to be charged against the grant as the cost of administering the grant.) One adjustment/exception we have made in Federal/State financing is the inclusion of the Sub-Station's current AB90 grant in the revenue projection through 1982-83.

In discussing possible CETA funding, the consultants state that the proposed city staff for each Alternative is a core staff. Many cities, they continue, have employees financed by CETA or specific federal grants and that such programs will undoubtedly exist in East Palo Alto although they are not specifically identified. While it is true that over the past several years cities, particularly in other counties, have had as much as 20%-25% of their staffs funded by CETA, CETA can no longer be considered a source of financing for local government. In reality what has happened is that cities which have made extensive use of CETA programs have artificially inflated their service levels, and they may be expected by residents to continue this artificially inflated service level now that CETA funding has declined. Therefore, while specific project grants will be available and should be pursued, CETA should not at this time be considered a realistic funding source.

LOCAL REVENUE:

The Fiscal Analysis estimates that rehabilitation of the community shopping center would increase retail sales tax revenue by \$50,000. It additionally assumes that another \$50,000 in new sales tax revenue could be generated from other commercial development. For purposes of the revenue projections the consultants assumed that \$100,000 in new municipal revenue would be generated by 1984. Staff believes this is ambitious under the best of circumstances and unrealistic given the experience of the County's Housing and Community Development Division in commercial revitalization and the commitment of that department to the community. Staff believes for purposes of this analysis the \$100,000 figure should be discounted. Only sales tax growth exclusive of the shopping center should be considered. It is staff's opinion that given the current service delivery agency \$50,000 in new sales tax revenue is an optimistic figure, \$100,000 is unrealistic. We have therefore assumed in our revenue projections that the shopping center will not be developed. We hope Housing and Community Development proves us wrong.

In its discussion of Capital Improvements the Fiscal Analysis assumes that the County will commit to completion of current County Capital Improvements Program. Incorporation would not be feasible without this commitment. It should again be pointed out that the Capital Improvement Program currently includes an assumption that HCD financing in an amount of up to \$800,000 will be used for some of these improvements which are scheduled sometime during the 1982-83 fiscal year. This could affect HCD program money available to the new city.

In the discussion of sewage treatment the consultants point out that the East Palo Alto Sanitary District is obligated to pay \$52,000 per year to the City of Palo Alto for Capital Improvements to their treatment plant. This payment ends in 1981, however the consultants have built in a \$60,000 per year debt service payment through the entire five year incorporation cost projection. While indentifying this cost as a debt service is technically a mistake as the cost could be eliminated from the budget projections after 1981, inclusions of that figure in the budget projections insures modest but necessary capital improvements for sanitary lines.

A similar error has been made in calculations regarding water cost. The consultants indicate in their discussion that with the use of wells, currently being installed, the cost

for the purchase of water from the San Francisco Water Department will be reduced \$50,000. However in their five year projections they have assumed the pre-well purchase cost. For purposes of our calculations we have assumed the Well will reduce water purchase cost by a more conservative \$30,000 and that such savings would come into play in 1980-81. For both the Sanitary Division and the Water Division we have assumed that any "surpluses" would be reserved for Capital Improvements.

The consultants in their discussion of street lighting indicate that the average annual operating cost for the incorporated city for 1980 through 1985, would be \$120,000. At the same time they indicate that the 1978-79 separable cost was \$61,409 and the 1980-85 annual operating cost under the Base Case would be \$105,000. Two factors are at play here; first, the 1978-79 Ravenswood Highway Lighting District's cost are somewhat lower than the previous year due to Proposition 13. The Lighting District's "short-fall" in 1978-79 was made up by financing some street lighting with road tax money. The second factor affecting the projected difference in financing costs is a somewhat higher service level under incorporation. It is important to note that the consultants assume that in the future street lighting will be financed through a service charge or a benefit assessment.

There exists within the Public Work's budget \$29,000 in undocumented costs that is, the projection of Public Works cost in Table V-8 of the Fiscal Analysis is \$29,000 higher than the total of all Public Works cost itemized elsewhere in the report.

The consultants in the Fiscal Analysis have considered the funding restrictions on various Public Works monies and have therefore devised an expenditure transfer schedule to show expenditures from the Road, Water service, and Sanitary service funds to cover the cost of the departmental administration and city overhead charges. The base criteria used for this proration was the number of personnel in any one unit. For example, the Street, Water and Sanitary Divisions have a total of ten personnel; three in the Street Division, five in the Water Division and two in the Sanitary Division. The Street Division is therefore charged for 30% of departmental administration and engineering cost, the Water Division for 50% of that cost and the Sanitary Division for 20%. The same method is used to derive city overhead cost.

The use of such a methodology is acceptable. Justification

for this general approach is found in basic assumptions regarding the use of time by City Administration. It is assumed, for instance, that if the Public Works Department employs approximately 20% of the City's personnel then approximately 20% of the personnel offices time would be devoted to servicing that department, approximately 20% of the time devoted to processing payroll would be to serve that department, etc.

Another acceptable method of estimating indirect cost would be to use the budgetary appropriations of the various divisions as the base criteria. This method would assume that a larger appropriation would command proportionately more of, for instance, the finance operations time than a smaller appropriation. Again, these two methods are methods of ball park estimation. A strict cost accounting would undoubtedly yield a different set of cost applied data than either of these methods. Likewise certain City Council policies could affect the data generated under any method used. For purposes of our estimations we have used the personnel criteria method even though the appropriation criteria method would yield a higher transfer to the General Fund.

It is proposed by the consultants that a major revenue source which the city could establish would be a Utility Franchise Tax.. This tax with a real growth of 14.5 % would be the city's fastest growing revenue source. It should be noted that the Economic Opportunity Commission's Draft: People's Platform for the Eighties calls for an elimination of such taxes. The Franchise Tax would not have to go into effect until July of 1982 (this is also true for the Business license tax).

This concludes staff's report. Refinements will undoubtably be made as time goes on. Staff stands ready to undertake additional analysis as Council identifies specific areas of concern.

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APPENDICES

The following tables present four
different cost analysis of city cost.

SUMMARY
COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES

DEPARTMENT/FUNCTION	SCENARIO I	SCENARIO II	SCENARIO III	SCENARIO IV
General Government	\$ 330,137	\$ 323,865	\$ 338,952	\$ 321,487
Police	1,222,260	1,216,260	1,228,418	1,188,493
Community Development	161,688	166,715	185,383	167,871
Community Services	186,000	166,659	200,819	180,789
Public Works	<u>914,000</u>	<u>826,399</u>	<u>849,746</u>	<u>829,038</u>
Sub-total City Cost	2,822,209	2,690,098	2,803,318	2,687,678
Animal Control	9,400	9,400	9,400	9,400
Civil Defense	3,500	3,500	3,500	3,500
Garbage Collection	220,000	220,000	220,000	220,000
Street Lighting	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
CITY TOTALS	\$3,175,109	\$3,042,998	\$3,156,218	\$3,040,578

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Note: Table V-8 in the Fiscal Analysis state that the annual coat for municipal operations would be \$3,259,700. The difference between that figure and the one shown in Scenario I is primarily due to the consultant's computation of vehicle maintenance as a net city cost (\$26,800), undocumented Public Works cost (\$29,200), and a water purchase cost of \$200,000 rather than the \$170,000 used in the staff analysis.

GENERAL GOVERNMENT

COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES

Scenario I

Scenario II

Scenario III

Scenario IV

Staff	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	City Manager/ City Clerk	\$ 35,000	\$ 35,000	Administrative Officer	\$33,528	\$ 33,528	Deputy County Manager	\$37,085	\$ 37,085	City Manager/ City Clerk	\$ 35,000	\$ 35,000
1	Deputy Clerk/ Secretary	15,000	15,000	Administrative Clerk	14,556	14,556	Secretary III	16,032	16,032	Deputy Clerk/ Secretary	15,000	15,000
1	Assistant to City Manager	25,000	25,000	Management Analyst III	24,120	24,120	Senior Management Analyst	26,884	26,884	Assistant to City Manager	25,000	25,000
1	Accountant	21,000	21,000	Accountant II	20,856	20,856	Accountant II	20,856	20,856	Accountant	21,000	21,000
2	Administrative Assistant .	22,000	44,000	Management Analyst II	21,648	21,648	Management Analyst II	21,648	21,648	Administrative Assistant	22,000	44,000
1	Account Clerk	12,500	12,500	Fiscal Clerk	12,540	12,540	Fiscal Clerk	12,540	12,540	Account Clerk	12,500	12,500
2	Staff Clerk	12,500	25,000	Staff Clerk II	12,372	24,744	Secretary I	13,164	26,328	Staff Clerk	12,500	12,500
	Total Salary	177,500			173,640			182,985			170,578	
	Employee Benefits @ 25%	44,375			43,410			45,731			42,645	
	City Council @ \$1,800 ea	9,000			9,000			9,000			9,000	
	Total Employee Cost	230,875			226,050			237,656			222,223	
	Services & Supplies @ 30%	69,260			67,815			71,296			69,264	
	Contract (Attorney)	30,000			30,000			30,000			30,000	
	TOTAL SERVICE COST	330,137			328,865			338,952			321,487	
	Less Expenditure Transfer	(66,027)			(64,773)			(67,790)			(63,778)	
	NET SERVICE COST	\$ 264,110			\$ 259,092			\$ 271,162			\$ 257,709	

Note: The actual total of salaries in Scenario IV is \$177,500.
The lower salary indicated is a reflection of an estimated 3.9% "salary savings". Services and Supplies are based upon the pre-salary savings employee cost.

POLICE SERVICES

COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES

Scenario I

Scenario II

Scenario III

Scenario IV

Staff	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	Director of Public Safety	\$30,000	\$ 30,000	Sheriff's Captain	\$30,696	\$ 30,696	Sheriff's Captain	\$30,696	\$ 30,696	Director of Public Safety	\$30,000	\$ 30,000
1	Lieutenant	26,500	26,500	Sheriff's Lieutenant	27,468	27,468	Sheriff's Lieutenant	27,468	27,468	Lieutenant	26,500	26,500
5	Sergeant	24,000	120,000	Sheriff's Sergeant	23,460	117,300	Sheriff's Sergeant	23,460	117,300	Sergeant Sergeant	23,500	117,500
22	Police Officer	20,000	440,000	Deputy II	20,004	440,088	Deputy II	20,004	440,088	Police Officer	20,000	440,000
6	Clerk/ Dispatcher	13,500	81,000	Communications Dispatcher I	13,572	81,432	Sheriff's Clerk	13,812	82,872	Clerk/ Dispatcher	13,500	81,000
2	Community Service Officer	15,000	30,000	Community Worker II	13,476	26,952	Community Program Specialist I	16,452	32,904	Community Service Officer	15,000	30,000
Total Salary			727,500	723,936			731,328			696,725		
Employee Benefits			212,700	211,761			213,609			209,018		
Total Employee Cost			940,200	935,697			944,937			905,743		
Services & Supplies @ 30%			282,060	280,709			283,481			282,750		
TOTAL SERVICE COST			\$1,222,260	\$1,216,460			\$1,228,418			\$1,188,493		

Note: The actual total of salaries in Scenario IV is \$725,000. The lower salary indicated is a reflection of an estimated 3.9% "salary savings". Services and Supplies are based upon the pre-salary savings employee cost.

Note: In Scenarios I-III employee benefits for sworn personnel are calculated at 30% while benefits for non-sworn personnel are calculated at 25%. In Scenario IV all benefits are calculated at 30%.

COMMUNITY DEVELOPMENT

COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES

Scenario I				Scenario II				Scenario III				Scenario IV			
Staff	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	Director of Community Development	\$25,000	\$ 25,000	Senior Planner	\$27,888	\$ 27,000	Principal Planner	\$31,704	\$ 31,704	Director of Community Development	\$28,000	\$ 28,000			
1	Associate Planner	22,000	22,000	Planner II	21,504	21,504	Planner III	24,648	24,648	Associate Planner	22,000	22,000			
1	Assistant Planner	18,000	18,000	Planner I	18,132	18,132	Planner II	21,504	21,504	Associate Planner	22,000	22,000			
1	Building Inspector	22,000	22,000	Building Inspector	22,698	22,698	Construction Inspector	23,062	23,062	Inspector	22,000	22,000			
1	Staff Clerk	12,500	12,500	Staff Clerk II	12,372	12,372	Secretary I	13,164	13,164	Staff Clerk	12,500	12,500			
Total Salary				102,594				114,082				102,347			
Employee Benefits @ 25%				24,875				25,648				28,520			
Total Employee Cost				124,375				128,242				142,602			
Services & Supplies @ 30%				37,313				38,472				42,781			
TOTAL SERVICE COST				\$ 161,688				\$ 166,715				\$ 185,383			

Note: The actual total of salaries in Scenario IV is \$106,500. The lower salary indicated is a reflection of an estimated 3.9% "salary savings". Services and Supplies are based upon the pre-salary savings employee cost.

COMMUNITY SERVICES

COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES

Scenario I			Scenario II			Scenario III			Scenario IV			
Staff	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	Director of Community Services	\$22,500	\$ 22,500	Community Program Specialist III	\$21,624	\$ 21,624	Administrative Coordinator, Community Services	\$24,504	\$ 24,504	Director of Community Services	\$24,000	\$ 24,000
1	Cultural Development Manager	18,500	18,500	Community Worker II	13,476	13,476	Community Program Specialist II	18,384	18,384	Director of Leisure & Cultural Services	18,500	18,500
1	Recreation and Leisure Manager	18,500	18,500	Community Worker II	13,476	13,476	Community Program Specialist I	16,452	16,452	Recreation Supervisor	16,000	16,000
1	Staff Clerk	12,500	12,500	Staff Clerk II	12,372	12,372	Secretary I	13,164	13,164	Staff Clerk	12,500	12,500
Total Salary		72,000			60,948				72,504		68,231	
Employee Benefits @ 25%		18,000			15,237				18,126		17,058	
Total Employee Cost		90,000			76,185				90,630		85,289	
Services & Supplies @ 40%		36,000			30,474				36,252		35,500	
Contract (Instructors)		20,000			20,000				20,000		20,000	
Contract (Gardening)		40,000			40,000		Gardener (2)	16,596	33,192		40,000	
TOTAL SERVICE COST		\$ 186,000			\$ 166,659		Employee Benefits @ 25%	8,298				
							Total Employee Cost	41,490				
							Services & Supplies @ 30%	12,447				
							Total Gardening Cost	53,937				
								\$ 200,819				
											\$ 180,789	

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Note: The actual total of salaries in Scenario IV is \$71,000. The lower salary indicated is a reflection of an estimated 3.9% "salary savings". Services and Supplies are based upon the pre-salary savings employee cost

PUBLIC WORKS - ADMINISTRATION

**COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES**

Scenario I

Scenario II

Scenario III

Scenario IV

Staff	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	Director of Public Works	\$30,000	\$ 30,000	Road Maintenance Supervisor II	\$27,408	\$ 27,408	Associate Civil Engineer	\$27,696	\$ 27,696	Director of Public Services	\$28,000	\$ 28,000
1	Administrative Assistant	\$18,000	18,000									
1	Street Maintenance Supervisor	24,500	24,500	Road Maintenance Supervisor I	24,576	24,576	Road Maintenance Supervisor I	24,576	24,576	Maintenance Supervisor	24,500	\$ 24,500
1	Street Maintenance Worker	19,500	19,500	Road Maintenance Worker I	17,028	17,028	Road Maintenance Worker II	19,360	19,360	Maintenance Worker II	17,000	17,000
1	Staff Clerk	12,500	12,500	Staff Clerk II	12,372	12,372	Secretary I	13,164	13,164	Staff Clerk	12,500	12,500
	Total Salary	104,500			81,384			84,796			78,804	
	Employee Benefits @ 25%	26,125			20,346			21,199			19,701	
	Total Employee Cost	130,625			101,730			105,005			98,503	
	Services and Supplies @ 30%	39,187			30,519			31,798			30,750	
	Contract (Engineering)	30,000			30,000			30,000			30,000	
	TOTAL SERVICE COST	199,812			162,249			167,793			159,253	
	Less Expenditure Transfer	(199,812)			(162,249)			(167,793)			(159,253)	
	NET SERVICE COST	\$ 0			\$ 0			\$ 0			\$ 0	

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Note: The actual total of salaries in Scenario IV is \$82,000. The lower salary indicated is a reflection of an estimated 3.9% "salary savings". Services and Supplies are based upon the pre-salary savings employee cost.

PUBLIC WORKS - STREETS

**COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES**

Scenario I

Scenario II

Scenario III

Scenario IV

Staff	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	Streets Maintenance Worker	\$19,500	\$ 19,500	Road Maintenance Worker II	\$19,380	\$ 19,380	Road Equipment Operator	\$22,068	\$ 22,068	Maintenance Worker IV	\$21,000	\$ 21,000
2	Streets Maintenance Worker	19,500	39,000	Road Maintenance Worker I	17,028	34,056	Road Maintenance Worker II	19,380	38,760	Maintenance Worker III	19,000	38,000
	Total Salary	58,500			53,436			60,828			56,694	
	Employee Benefits @ 25%	14,625			13,359			15,207			14,175	
	Total Employee Cost	73,125			66,796			76,035			70,874	
	Services and Supplies @ 30%	21,937			20,038			22,810			22.125	
	Contract (Signal Maintenance)	10,000			10,000			10,000			10,000	
	Expenditure Transfer	79,809			68,107			70,675			66,909	
	TOTAL SERVICE COST	\$ 184,871			\$ 164,940			\$ 179,520			\$ 169,908	

Note: The actual total of salaries in Scenario IV is \$59,000. The lower salary indicated is a reflection of an estimated 3.9% "salary savings". Services and Supplies are based upon the pre-salary savings employee cost.

PUBLIC WORKS - WATER

COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES

Scenario I

Scenario II

Scenario III

Scenario IV

Staff	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	Water Maintenance Supervisor	\$ 20,000	\$ 20,000	Water Service Worker III	\$ 18,012	\$ 18,012	Water Service Supervisor	\$ 20,508	\$ 20,508	Maintenance Worker III	\$ 19,000	\$ 19,000
3	Water Maintenance Worker	16,500	49,500	Water Service Worker II	16,944	50,832	Water Service Worker II	16,944	50,832	Maintenance Worker II	17,000	51,000
1	Account Clerk	12,500	12,500	Fiscal Clerk II	12,540	12,540	Fiscal Clerk II	12,540	12,540	Account Clerk	12,500	12,500
	Total Salary	82,000			81,384				83,880			79,283
	Employee Benefits @ 25%	20,500			20,346				20,970			19,821
	Total Employee Cost	102,500			101,730				104,850			99,104
	Services & Supplies @ 30%	30,750			30,519				31,455			30,938
	Contract (Water Purchase)	170,000			170,000				170,000			170,000
	Debt Service (Loan)	30,000			30,000				30,000			30,000
	Expenditure Transfer	132,920			113,510				117,791			111,516
	TOTAL SERVICE COST	\$ 446,170			\$ 445,759				\$ 454,096			\$ 441,528

Note: The actual total of salaries in Scenario IV is \$82,500. The lower salary indicated is a reflection of an estimated 3.9% "salary savings". Services and Supplies are based upon the pre-salary savings employee cost.

PUBLIC WORKS - SANITATION

COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES

Staff	Scenario I			Scenario II			Scenario III			Scenario IV		
	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	Sanitary Maintenance Worker	\$19,500	\$ 19,500	Water Service Worker II	\$16,944	\$ 16,944	Water Service Worker III	\$18,012	\$ 18,012	Maintenance Worker III	\$19,000	\$ 19,000
1	Sanitary Maintenance Worker	19,500	19,500	Water Service Worker II	16,944	16,944	Water Service Worker II	16,944	16,944	Maintenance Worker II	17,000	17,000
	Total Salary	39,000			33,888				34,956			34,596
	Employee Benefits @ 25%	9,750			8,472				8,739			8,649
	Total Employee Cost	48,750			42,360				43,695			43,245
	Services & Supplies @ 30%	14,625			12,708				13,108			13,500
	Contract (Treatment Service)	120,000			120,000				120,000			120,000
	Debt Service (Palo Alto)	60,000			60,000				60,000			60,000
	Expenditure Transfer	53,167			45,405				47,117			44,606
	TOTAL SERVICE COST	\$ 296,542			\$ 280,473				\$ 283,930			\$ 281,351

Note: The actual total of salaries in Scenario IV is \$36,000. The lower salary indicated is a reflection of an estimated 3.9% "salary savings". Services and Supplies are based upon the pre-salary savings employee cost.

Note: The payment to the City of Palo Alto ends in 1982-83.

PUBLIC WORKS - VEHICLE MAINTENANCE

**COMPARATIVE COST REPORT
EAST PALO ALTO MUNICIPAL SERVICES**

Scenario I				Scenario II				Scenario III				Scenario IV			
Staff	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total	Position	Salary	Total
1	Corporation Yard Supervisor	\$20,000	\$ 20,000												
1	Equipment Mech-anic	\$16,500	16,500	Auto Mechanic	\$18,840	\$ 18,840	Equipment Mechanic	\$19,716	\$ 19,716	Vehicle Mech-anic	\$19,000	\$ 19,000			
	Total Salary	36,500			18,840			19,716				18,259			
	Employee Benefits @ 25%	9,125			4,710			4,929				4,565			
	Total Employee Cost	45,625			23,550			24,645				22,824			
	Services Supplies @ 30%	13,688			7,065			7,393				7,125			
	TOTAL SERVICE COST	59,313			30,615			32,038				29,949			
	Charges to S&S Accounts	(26,812)			(30,615)			(32,038)				(29,949)			
	NET SERVICE COST	\$ 32,500			\$ 0			\$ 0				\$ 0			

Note: The actual "Total Salary" in Scenario IV reflects an estimated salary savings of 3.9% Services and Supplies are based upon the pre-salary savings employee cost.

The following tables indicate the revenue source of each fund or major service category. The information, unless previously indicated otherwise is derived from the Fiscal Analysis. These tables provide the revenue information for the remaining Cash Flow Summaries.

FUND / SERVICE CATEGORY REVENUE SOURCE - 1980-81

<u>Revenue Source</u>	General Fund	Gax Tax Fund	Water Fund	Sanitary Fund	Garbage/ Lighting	Revenue Sharing	H.C.D.A. Fund	Total Tax
Property Tax	\$ 421.	\$	\$	\$ 105.	\$	\$	\$	\$ 526.
Sales Tax		172.2						172.2
Business License Tax		30.3						30.3
Utility Franchise Tax	249.7							249.7
Licenses and Permits		40.						40.
Fines and Penalties		41.1						41.1
Use of Money & Property	85.6							85.6
Property Transfer Tax		15.5						15.5
Cigarette Tax		43.1						43.1
Alchoholic Beverage Fees		4.4						4.4
Vehicle In-lieu Fees	236.2							236.2
Gax Tax			158.2					158.2
General Revenue Sharing						233.		233.
H.C.D.A.							300.	300.
A.B. 90		50.						50.
Service Charges & Fees	5.	25.	545.	172.	340.			1,087.
Total Fund	\$ 1,394.1	\$ 183.2	\$ 545.	\$ 277.	\$ 340.	\$ 233.	\$ 300.	\$ 3,272.3

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Note: All figures are in thousands of 1979 Dollars.

FUND / SERVICE CATEGORY REVENUE SOURCE - 1981-82

<u>Revenue Source</u>	<u>General Fund</u>	<u>Gax Tax Fund</u>	<u>Water Fund</u>	<u>Sanitary Fund</u>	<u>Garbage/ Lighting</u>	<u>Revenue Sharing</u>	<u>H.C.D.A. Fund</u>	<u>Total Tax</u>
Property Tax	\$ 425.	\$	\$	\$ 105.	\$	\$	\$	\$ 530.
Sales Tax	192.8							192.8
Business License Tax	41.9							41.9
Utility Franchise Tax	285.7							285.7
Licenses and Permits	40.							40.
Fines and Penalties	41.1							41.1
Use of Money & Property	87.5							87.5
Property Transfer Tax	15.8							15.8
Cigarette Tax	47.							47.
Alchoholic Beverage Fees	4.4							4.4
Vehicle In-lieu Fees	236.2							236.2
Gax Tax		130.9						130.9
General Revenue Sharing					247.			247.
H.C.D.A.						358.		358.
A.B. 90	50.							50.
Service Charges & Fees	5.	25.	545.	172.	340.			1,087.
Total Fund	\$1,472.4	\$ 155.9	\$ 545.	\$ 277.	\$ 340.	\$ 247.	\$ 358.	\$ 3,395.3

Note: All figures are in thousands of 1979 Dollars.

FUND / SERVICE CATEGORY REVENUE SOURCE - 1982-83

<u>Revenue Source</u>	<u>General Fund</u>	<u>Gax Tax Fund</u>	<u>Water Fund</u>	<u>Sanitary Fund</u>	<u>Garbage/ Lighting</u>	<u>Revenue Sharing</u>	<u>H.C.D.A. Fund</u>	<u>Total Tax</u>
Property Tax	\$ 431.	\$	\$	\$ 105.	\$	\$	\$	\$ 536.
Sales Tax	216.							216.
Business License Tax	47.							47
Utility Franchise Tax	327.1							327.1
Licenses and Permits	40.							40.
Fines and Penalties	41.1							41.1
Use of Money & Property	89.3							89.3
Property Transfer Tax	16.1							16.1
Cigarette Tax	48.7							48.7
Alchoholic Beverage Fees	4.4							4.4
Vehicle In-lieu Fees	236.2							236.2
Gax Tax		98.4						98.4
General Revenue Sharing						261.		261.
H.C.D.A.							0.	0.
A.B. 90	50.							50.
Service Charges & Fees	5.	25.	545.	172.	340.			1,087.
Total Fund	\$ 1,551.9	\$ 123.4	\$ 545.	\$ 277.	\$ 340.	\$ 261.	\$ 0.	\$ 3,098.3

Note: All figures are in thousands of 1979 Dollars.

FUND / SERVICE CATEGORY REVENUE SOURCE - 1983-84

<u>Revenue Source</u>	<u>General Fund</u>	<u>Gax Tax Fund</u>	<u>Water Fund</u>	<u>Sanitary Fund</u>	<u>Garbage/ Lighting</u>	<u>Revenue Sharing</u>	<u>H.C.D.A. Fund</u>	<u>Total Tax</u>
Property Tax	\$ 437.	\$	\$	\$ 105.	\$	\$	\$	\$ 542.
Sales Tax		241.9						241.9
Business License Tax		52.6						52.9
Utility Franchise Tax		374.7						374.7
Licenses and Permits		40.						40.
Fines and Penalties		41.1						41.1
Use of Money & Property		93.5						93.5
Property Transfer Tax		16.4						16.4
Cigarette Tax		50.7						50.7
Alchoholic Beverage Fees		4.4						4.4
Vehicle In-lieu Fees		236.2						236.2
Gax Tax			67.2					67.2
General Revenue Sharing						288.		288.
H.C.D.A.							0.	0.
A.B. 90		0.						0.
Service Charges & Fees	5.	25.2	545.	172.	340.			1,087.
 Total Fund	\$ 1,593.5	\$ 92.2	\$ 545.	\$ 277.	\$ 340	\$ 288.	\$ 0.	\$ 3,135.7

Note: All figures are in thousands of 1979 Dollars.

FUND / SERVICE CATEGORY REVENUE SOURCE - 1984-85

<u>Revenue Source</u>	<u>General Fund</u>	<u>Gax Tax Fund</u>	<u>Water Fund</u>	<u>Sanitary Fund</u>	<u>Garbage/ Lighting</u>	<u>Revenue Sharing</u>	<u>H.C.D.A. Fund</u>	<u>Total Tax</u>
Property Tax	\$ 445.	\$	\$	\$ 105.	\$	\$	\$	\$ 550.
Sales Tax		270.9						270.9
Business License Tax		58.9						58.9
Utility Franchise Tax		429.9						429.9
Licenses and Permits		40.						40.
Fines and Penalties		41.1						41.1
Use of Money & Property		96.6						96.6
Property Transfer Tax		17.						17.
Cigarette Tax		52.8						52.8
Alchoholic Beverage Fees		4.4						4.4
Vehicle In-lieu Fees		236.2						236.2
Gax Tax			41.7					41.7
General Revenue Sharing						340.		340.
H.C.D.A.							0.	0.
A.B. 90		0.						0.
Service Charges & Fees	5.	25.	545.	172.	340.			1,087.
Total Fund	\$ 1,697.8	\$ 66.7	\$ 545.	\$ 277.	\$ 340.	\$ 308.	\$ 0.	\$ 3,234.5

Note: All figures are in thousands of 1979 Dollars.

The following tables illustrate the strength or weakness of any given fund in any given year. For purpose of this calculation it is assumed that the shopping center is not developed in 1983-84. This would reduce sales tax revenues approximately \$50,000. Additionally, there would be a minor effect on other revenues, such as interest.

There occurs at various points deficits in utility funds. Such a deficit would of course be made up from the General Fund. Note that by 1984-85 the Gas Tax-Drainage Fund has barely enough revenue to pay for city-wide overhead. The operating cost for street maintenance would in essence come from other than Gas Tax Funds.

CASH FLOW SUMMARY - 1980-81

<u>Description</u>	<u>Beginning Cash Balance</u>	<u>Increased By Transfers</u>		<u>Decreased By Transfers</u>		<u>Estimated Ending Balance</u>
		<u>Revenue</u>	<u>In</u>	<u>Expenditures</u>	<u>Out</u>	
General Fund	\$ 0.	\$1,394.1	\$ 486.	\$2,031.	\$ 0.	\$(150.9)
Gas Tax/Drainage Maintenance Fund	0.	183.2	0.	102.9	66.9	13.4
Water Fund	0.	545.	0.	330.	111.5	103.5
Sanitary Fund	0.	277.	0.	236.7	44.6	(4.3)
Garbage/Lighting Fund	0.	340.	0.	340.	0.	0.
Revenue Sharing Fund	0.	233.	0.	0.	233.	0.
HCDA Fund	0.	300.	0.	0.	30.	270.

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Note: All Transfers Out are to the General Fund.

Note: All figures are in thousands of 1979 Dollars.

CASH FLOW SUMMARY - 1981-82

<u>Description</u>	<u>Beginning Cash Balance</u>	<u>Increased By Revenue</u>	<u>Transfers In</u>	<u>Decreased By Expenditures</u>	<u>Transfers Out</u>	<u>Estimated Ending Balance</u>
General Fund	\$ 0.	\$1,472.4	\$ 505.8	\$2,031.	\$ 0.	\$ (52.8)
Gas Tax/Drainage Maintenance Fund	0.	155.9	0.	102.9	66.9	(13.9)
Water Fund	0.	545.	0.	330.	111.5	103.5
Sanitary Fund	0.	277.	0.	236.7	44.6	(4.3)
Garbage/Lighting Fund	0.	340.	0.	340.	0.	0.
Revenue Sharing Fund	0.	247.	0.	0.	247.	0.
HCDA Fund	0.	358.	0	0.	35.8	322.2

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Note: All Transfers Out are to the General Fund.

Note: All figures are in thousands of 1979 Dollars.

CASH FLOW SUMMARY - 1982-83

<u>Description</u>	<u>Beginning Cash Balance</u>	<u>Increased By Transfers In</u>		<u>Decreased By Transfers Out</u>		<u>Estimated Ending Balance</u>
		Revenue	In	Expenditures	Out	
General Fund	\$ 0.	\$ 1,551.9	\$ 484.	\$ 2,031.	\$ 0.	\$ 4.9
Gas Tax/Drainage Maintenance Fund	0.	123.4	0.	102.9	66.9	(46.4)
Water Fund	0.	545.	0.	330.	111.5	103.5
Sanitary Fund	0.	277.	0.	176.7	44.6	55.7
Garbage Lighting Fund	0.	340.	0.	340..	0.	0.
Revenue Sharing Fund	0.	261.	0.	0.	261.	0.

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Note: All Transfers Out are to the General Fund.

Note: All figures are in thousands of 1979 Dollars.

CASH FLOW SUMMARY - 1983-84

<u>Description</u>	<u>Beginning Cash Balance</u>	<u>Increased By Transfers</u>		<u>Decreased By Transfers</u>		<u>Estimated Ending Balance</u>
		<u>Revenue</u>	<u>In</u>	<u>Expenditures</u>	<u>Out</u>	
General Fund	\$ 0.	\$ 1,593.5	\$ 511.	\$ 2,031.	\$ 0.	\$ 73.5
Gas Tax/Drainage Maintenance Fund	0.	92.2	0.	102.9	66.9	(77.6)
Water Fund	0.	545.	0.	330.	111.5	103.5
Sanitary Fund	0.	277.	0.	176.7	44.6	55.7
Garbage/Lighting Fund	0.	340.	0.	340..	0.	0.
Revenue Sharing Fund	0.	288.	0.	0.	288.	0.

Note: All Transfers Out are to the General Fund.

Note: All figures are in thousands of 1979 Dollars.

CASH FLOW SUMMARY - 1984-85

<u>Description</u>	<u>Beginning Cash Balance</u>	<u>Increased By Transfers</u>		<u>Decreased By Transfers</u>		<u>Estimated Ending Balance</u>
		<u>Revenue</u>	<u>In</u>	<u>Expenditures</u>	<u>Out</u>	
General Fund	\$ 0.	\$ 1,697.8	\$ 530.6	\$ 2,031.	\$ 0.	\$ 197.4
Gas Tax/Drainage Maintenance Fund	0.	66.7	0.	102.9	66.5	(102.7)
Water Fund	0.	545.	0.	330.	111.5	103.5
Sanitary Fund	0.	277.	0.	176.7	44.6	55.7
Garbage/Lighting Fund	0.	340.	0.	340..	0.	0.
Revenue Sharing Fund	0.	308.	0.	0.	308.	0.

Note: All Transfers Out are to the General Fund.

Note: All figures are in thousands of 1979 Dollars.

The following tables illustrate the city's cash flow situation if the city incorporates July, 1981 and assumes municipal services July, 1982. For purposes of this calculation it is assumed that the shopping center is not developed. Further, it is assumed that start up cost is \$500,000 and is paid entirely from General Fund revenues prior to the start of the 1982-83 fiscal year. Therefore, the General Fund beginning cash balance in 1982-83 is \$500,000 less than revenues accumulated in 1981-82. Interest from investment of contingency funds has not been calculated. Finally, for purposes of the calculations it is assumed that the independent special districts continue to operate as such until July, 1982.

There is, of course, no real surplus of funds, even though the Cash Flow Summaries indicate considerable General Fund contingencies. As the Fiscal Analysis points out, there are numerous necessary and desirable unbudgeted Capital Improvement projects which have been identified. The cost of those projects exceed by several times the indicated contingencies.

CASH FLOW SUMMARY - 1982-83

<u>Description</u>	<u>Beginning Cash Balance</u>	<u>Increased By Transfers</u>		<u>Decreased By Transfers</u>		<u>Estimated Ending Balance</u>
		<u>Revenue</u>	<u>In</u>	<u>Expenditures</u>	<u>Out</u>	
General Fund	\$ 0.	\$ 1,551.9	\$ 484.	\$ 2,031.	\$ 4.9 ^A	\$ 0.
Gas Tax/Drainage Maintenance Fund	0.	123.4	46.4	102.9	66.9 ^B	0.
Water Fund	0.	545.	0.	330.	111.5 ^B	103.5 ^D
Sanitary Fund	0.	277.	0.	176.7	44.6 ^B	55.7 ^D
Garbage/Lighting Fund	0.	340	0.	340.	0.	0.
Revenue Sharing Fund	0.	261.	0.	0.	261. ^B	0.
General Fund Contingencies	647.3	0.	4.9	0.	0.	652.2
Gas Tax Fund Contingencies	130.9	0.	0.	0.	46.4 ^C	84.5

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A: To General Fund Contingencies

B: To General Fund

C: To Gas Tax /Drainage Maintenance Fund

D: Reserved for Water and Sanitary Capital Improvements

Note: All figures are in thousands of 1979 Dollars.

CASH FLOW SUMMARY - 1983-84

<u>Description</u>	<u>Beginning Cash Balance</u>	<u>Increased By Revenue</u>	<u>Transfers In</u>	<u>Decreased By Expenditures</u>	<u>Transfers Out</u>	<u>Estimated Ending Balance</u>
General Fund	\$ 0.	\$ 1,593.5	\$ 511.	\$ 2,031.	\$ 73.5 ^A	\$ 0.
Gas Tax/Drainage Maintenance Fund	0.	92.2	77.6	102.9	66.9 ^B	0.
Water Fund	0.	545.	0.	330.	111.5 ^B	103.5 ^D
Sanitary Fund	0.	277.	0.	176.7	44.6 ^B	55.7 ^D
Garbage/Lighting Fund	0.	340.	0.	340.	0.	0.
Revenue Sharing Fund	0.	288.	0.	0.	288. ^B	0.
General Fund Contingencies	652.2	0.	73.5	0.	0.	725.7
Gas Tax Fund Contingencies	84.5	0.	0.	0.	77.6 ^C	6.9

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A: To General Fund Contingencies.

B: To General Fund.

C: To Gas Tax /Drainage Maintenance Fund.

D: Reserved for Water and Sanitary Capital Improvements.

Note: All figures are in thousands of 1979 Dollars.

CASH FLOW SUMMARY - 1984-85

<u>Description</u>	<u>Beginning Cash Balance</u>	<u>Increased By Transfers</u>		<u>Decreased By Transfers</u>		<u>Estimated Ending Balance</u>
		<u>Revenue</u>	<u>In</u>	<u>Expenditures</u>	<u>Out</u>	
General Fund	\$ 0.	\$ 1,697.8	\$ 530.6	\$ 2,031.	\$ 197.4 ^A	\$ 0.
Gas Tax/Drainage Maintenance Fund	0.	66.7	103.1	102.9	66.9 ^B	0.
Water Fund	0.	545.	0.	330.	111.5 ^B	0.
Sanitary Fund	0.	277.	0.	176.7	44.6 ^B	55.7 ^D
Garbage/Lighting Fund	0.	340.	0.	340.	0.	103.5 ^D
Revenue Sharing Fund	0.	308.	0.	0.	308. ^B	0.
General Fund Contingencies	725.7	0.	197.4	0.	97. ^C	826.1
Gas Tax Fund Contingencies	6.9	0.	0.	0.	6.9 ^C	0.

A: To General Fund Contingencies.

B: To General Fund.

C: To Gas Tax / Drainage Maintenance Fund.

D: Reserved for Water and Sanitary Capital Improvements.

Note: All figures are in thousands of 1979 Dollars.

The following sheet shows the budget requirements by activity and budget category if East Palo Alto assumed municipal operations in 1982-83.

SUMMARY OF REQUIREMENTS BY ACTIVITY AND BUDGET CATEGORY

1982-1983

REQUIREMENT CLASSIFICATION	General Government	Police Services	Community Development	Community Services	Public Works	Totals
Salaries and Employee Benefits	\$ 222,220	\$ 905,743	\$ 127,934	\$ 85,289	\$ 311,726	\$1,652,912
Contract Services and Supplies	262,900	0	0	60,000	450,000	772,900
Other Services and Supplies	69,265	282,750	39,937	35,500	97,314	524,766
Capital Outlay/ Debt Service	0	0	0	0	30,000	30,000
ACTIVITY REQUIREMENTS	\$ 554,385	\$1,188,493	\$ 167,871	\$ 180,789	\$ 889,040	\$2,980,578
—	9	37	5	4	15	70
Staffing						

8/02/07
[Exec. summary]

EXECUTIVE SUMMARY

FISCAL ANALYSIS/STAFF REPORT

The community of East Palo Alto must be incorporated as soon as possible.

With the passage of Propositions 4 and 13 incorporation became somewhat difficult but not impossible. With the passage of "Jarvis II" incorporation will become even more difficult but again not impossible.

FISCAL ANALYSIS

The Fiscal Analysis that was prepared by Angus McDonald and Associates indicates that the incorporation of East Palo Alto is dependent on many factors. The fiscal integrity of the community of East Palo Alto was only one factor.

The Fiscal Analysis sets forth the following key findings:

1. There is a deficit in the first four years of incorporation. The deficit declines steadily over the five year period examined. The fifth year revenues exceed projected expenditures. The cumulative four year deficit is approximately \$888,000.
2. The community is currently receiving a subsidy of approximately \$885,700 each year or \$4,428,500 over the next five years if East Palo Alto does not incorporate. The subsidy is primarily borne by the County.
3. Incorporation should not substantially affect the cost of the community's municipal services. However, incorporation would increase the cost to community residents and businesses.
4. Under State law, the County is required to continue providing services during the first year of incorporation while the city accumulates tax revenues. The accumulation was not included in any revenue or cost projections by the consultants.

Fiscal Analysis/Staff Report
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STAFF ANALYSIS

The primary conclusions reached by the East Palo Alto Municipal Council staff after review of the Fiscal Analysis are:

1. The projected four year shortfall (\$388,000) under incorporation is no more than the cost of the County's subsidy (\$85,700) for one year if East Palo Alto does not incorporate.
2. It is cheaper for the County to assist the community to incorporate now rather than face the continued cost of delivering municipal services to the community.
3. The effects of incorporation on the community would be increased local autonomy, increased and improved local political responsiveness, local control of community police and local land use control.

The Municipal Council staff made the following findings and assumptions:

1. Prudent utilization of the accumulated first year tax revenue, estimated at \$1,278,200 in 1981, would cover city startup cost and almost all of the deficits during the first years of city operations.
2. The city's base appropriation limit must be negotiated with the public agencies currently providing services.
3. The operating cost for municipal services as estimated by the consultants is overstated by approximately \$200,000 per year.
4. The cost per household over and above the current taxes that are currently being paid is approximately \$70.00 during the first year (1982) of city operation, i.e., approximately \$50.00 Franchise Utility Tax and \$20.00 Benefit Assessment Tax. These and any other new taxes must be approved by a two thirds majority of East Palo Alto voters.

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5. The County commits to completion of the road improvements contained in the current Capital Improvement Program.

The Citizens Committee for Incorporation should establish a target date for incorporation of July, 1981, with the new city assuming the actual delivery of services on July 1, 1982. Eligible voters in East Palo Alto should determine whether or not to incorporate in November, 1980. With this time schedule and assuming cooperation on the part of the County and the Local Agency Formation Commission, the Municipal Council staff concludes that incorporation is fiscally feasible.

MAJOR COST/REVENUE DIFFERENCES

A number of revenue and cost figures cited in the Fiscal Analysis are different than those cited in the staff analysis. The major differences are as follows:

The consultants assumed the development of the community shopping center by the middle of 1983. Given the current attitude of the County's Division of Housing and Community Development towards economic development that assumption appears unrealistic at this time. Therefore, sales tax produced by the shopping center has not been calculated in the staff analysis. This has reduced sales tax revenues \$57,000 in 1983-84 and \$63,800 in 1984-85.

The staff analysis has assumed that a \$50,000 per year grant currently awarded to the EPA Sheriff's Substation for crime prevention would be transferred to the city. This grant, which was not considered in the Fiscal Analysis may be continued through 1982-83, the first year in which the city would be responsible for municipal services.

The Fiscal Analysis assumes that all city employees are employed at the top step of a salary structure similar to San Mateo County's. The staff analysis calculates that with a modest, ten percent, turnover rate of employees a \$67,500 "salary savings" could be effectuated.

The Fiscal Analysis contains a staffing plan which includes two positions not contained in the staff analysis. The elimination of these two positions reduces municipal expenditures by \$62,000.

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The Fiscal Analysis' five year cost projections includes a \$60,000 per year payment to the City of Palo Alto for a East Palo Alto Sanitary District obligation. This obligation will be paid in 1981 and is not considered as an obligation after that time in the staff analysis.

The Fiscal Analysis assumes a water purchase cost from the San Francisco Water Department of \$200,000 per year. However, a well currently being installed should reduce that cost by \$30,000 per year. This savings has been included in the staff analysis.

The staff analysis assumes that vehicle maintenance cost contained in the Fiscal Analysis would be offset by charges to user departments. This would reduce city cost \$27,000.

The Fiscal Analysis contains \$29,000 in Public Works cost which has not been documented. Undocumented cost are not built into the staff analysis.

SUMMARY
FISCAL ANALYSIS
FIVE YEAR PROJECTION OF REVENUE AND EXPENSES
EAST PALO ALTO INCORPORATION ALTERNATIVE B

	1980-81	1981-82	1982-83	1983-84	1984-85
1. PROJECTED REVENUE AVAILABLE	\$2,922.6	\$2,987.3	\$3,048.3	\$3,192.7	\$3,298.0
2. PROJECTED EXPENSES	<u>\$3,259.7</u>	<u>\$3,259.7</u>	<u>\$3,259.7</u>	<u>\$3,259.7</u>	<u>\$3,259.7</u>
TOTAL	(\$ 337.1)	(\$ 272.4)	(\$ 211.4)	(\$ 67.0)	\$ 38.7

Note: All figures are expressed in thousands of 1979 dollars.

STAFF ANALYSIS

1982-1983

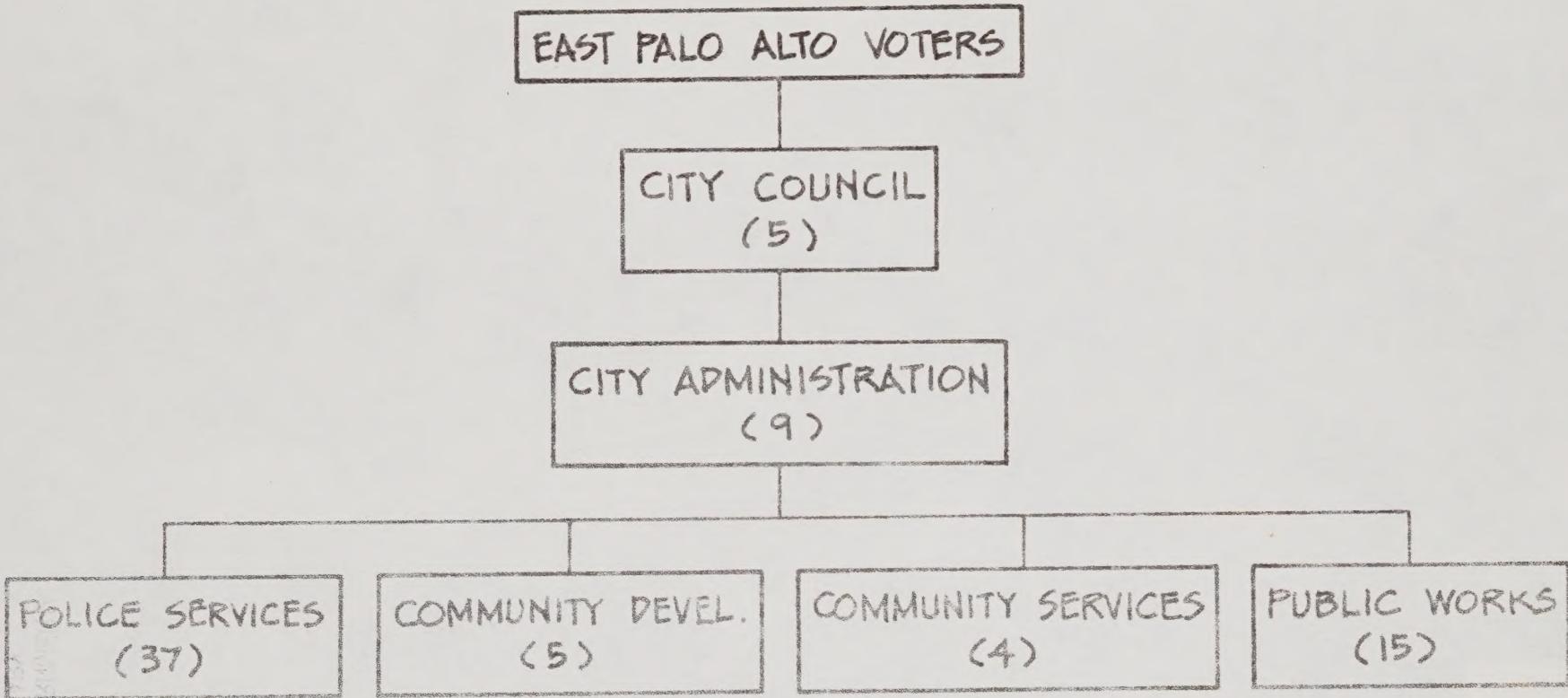
SUMMARY: FUND/SERVICE CATEGORY REVENUE SOURCE

Revenue Source	Fund / Service						Total Source
	General Fund	Gas Tax Fund	Water Fund	Sanitary Fund	Garbage/ Lighting	Revenue Sharing	
Property Tax	\$ 431.	\$	\$	\$ 105.	\$	\$	\$ 536.
Service Charges		5.	25.	545.	172.	340.	1,087.
Sales Tax		216.					216.
Other Local Revenue		560.6					560.6
State Shared Revenue		289.3	98.4				387.7
State & Federal Grants		50.				261.	311.
Total Fund	\$1,551.9	\$ 123.4	\$ 545.	\$ 277.	\$ 340.	\$ 261.	\$3,098.3

SUMMARY: BASIC REQUIREMENTS BY ACTIVITY AND BUDGET CATEGORY

Budget Category	Activity					Total Category
	General Government	Police Services	Community Development	Community Services	Public Works	
Salaries and Employee Benefits	\$ 222.2	\$ 905.7	\$ 127.9	\$ 85.3	\$ 311.7	\$1,652.8
Contract Services and supplies	262.9	0.	0.	60.	450.	772.9
Other Services and Supplies	69.3	282.8	39.9	35.5	97.3	524.8
Capital Outlay/ Debt Service	0.	0.	0.	0.	30.	30.
Total Activity	\$ 554.4	\$1,188.5	\$ 167.8	\$ 180.8	\$ 889.	\$2,980.5
Basic Staffing	29	37	5	4	15	70

Note: All figures are expressed in thousands of 1979 dollars.

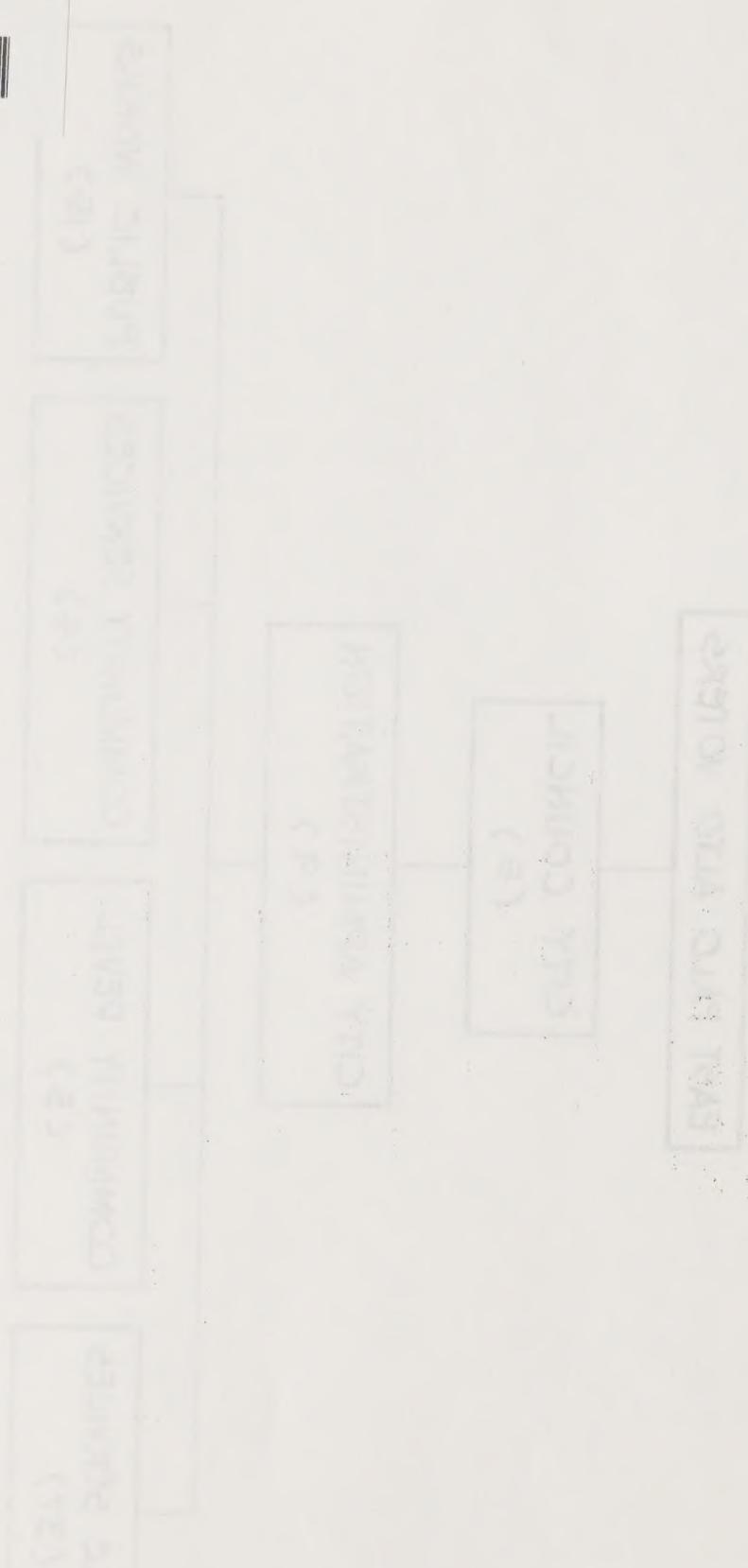


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